



RURAL TELEPHONE FINANCE COOPERATIVE
2201 Cooperative Way · Herndon, Virginia 20171-3025
703-709-6700

DOCKET FILE COPY ORIGINAL

RECEIVED

JUN 23 1997

Federal Communications Commission
Office of Secretary

June 23, 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M. Street, N.W.
Room 222
Washington, D.C. 20554

Re: Wireless Telecommunications Docket 97-82

Dear Mr. Caton:

Enclosed is the original and four copies of the reply comments of the Rural Telephone Finance Cooperative in the above referenced proceeding.

Sincerely,

Henry I. Buchanan, III
Vice President of Industry Affairs

No. of Copies rec'd
List A B C D E

013

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

RECEIVED

JUN 23 1997

*Federal Communications Commission
Office of Secretary*

In the Matter Of)
)
Amendment of Part 1 of the Commission's) WT Docket No. 97-82
Rules -- Competitive Bidding Proceeding)
Radio Services Licensees)

COMMENTS OF
RURAL TELEPHONE FINANCE COOPERATIVE

The Rural Telephone Finance Cooperative (RTFC) hereby submits its comments in the above referenced proceeding concerning proposals to modify the Commission's C and F block broadband personal communications service (PCS) financing terms.

RTFC is a privately funded, member-owned, cooperative finance organization that provides financing exclusively to America's rural telecommunications industry. RTFC supplies member rural telecommunications providers with alternative and complementary sources of financing to traditional federal lending sources such as the Rural Utilities Service and the Rural Telephone Bank. At the present time RTFC has extended over \$1.9 billion in short, intermediate and long term financing commitments to its over 460 telephone company members and their affiliates. Recognizing the need for debt capital for PCS, RTFC developed a lending program for infrastructure build-out available to

telco-affiliated PCS licensees. To date RTFC has committed to finance over \$200 million for PCS systems.

The Commission's notice of June 2, 1997 raises a number of issues regarding payments for C and F block broadband PCS licenses. Accordingly, RTFC offers suggestions which would enhance credit availability to C and F block licensees and promote provision of wireless services to smaller urban markets and rural areas.

Certain C block license winners are experiencing difficulty in raising capital have asked for, and received payment concessions from the Commission. Specifically, the Commission has suspended quarterly interest installments, thereby avoiding the likely default of several of the largest winners of C block licenses. In other instances the Commission has been less willing to accommodate requests for relief from license winners. A number of C block license winners contested the methodology the Commission used in determining the interest rate applicable to license payments. The Commission held firm on its methodology.

RTFC urges that the Commission develop solutions that will benefit all C and F block licensees, not just those that are in danger of bankruptcy and unable to secure adequate equity and debt financing. In that regard, MCI's proposal that the FCC proceed on a case-by-case waiver basis is unacceptable. The Commission's decision to incorporate comments on this subject into the instant proceeding is a sound one. The most equitable method for providing relief to all entrepreneurs is to allow an alternative benefit to those

licensees that stand ready to meet their repayment commitments. Specifically, the Commission should provide a credit to those licensees that are able to make their license payments in a timely fashion. Such credit should provide the government and the licensee with the same net present value as any payment deferral plans the Commission may adopt (such as those put forth by MCI and others.)

In footnote 6 to the notice the Commission asks whether PCS licensees would be able to prepay their installment debt if the Commission were to discount the amount of the debt in the manner proposed by General Wireless. Broadband PCS licensees affiliated with rural telcos would be able to seek RTFC financing for the license. RTFC would consider financing requests from credit worthy eligible entities on a case by case basis. The discount rate used would need to be significant, however, in order for business plans to work when substituting 6.5 or 7.0 percent debt with higher cost capital.

A number of C block licensees that did not enjoy direct communications with the wireless bureau on March 31, 1997 were not aware that a suspension of the quarterly installment was approved. Simple equity dictates that a financial remedy be provided to these licensees. Since a refund may not be in the FCC's power, a credit on future amounts owed should be granted. The credit should be in an amount that would fully compensate the licensees for their opportunity cost from the date the installment was made until the date another payment is due from all licensees.

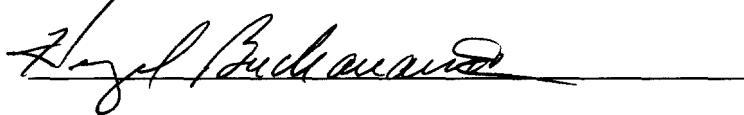
While not the subject of this proceeding, there is an issue that RTFC views as impeding the availability of PCS service in rural areas. When a C or F block licensee partitions part of the license area, the Commission has mandated that a proportional share of the licensee's FCC debt transfer to the partitioning party on a per POP basis. The high prices bid for the BTAs were because of the urban markets in the BTAs, not the rural. The license cost should not be averaged. Rural POPs are simply not as valuable as urban POPs. To impose this debt burden on a rural PCS provider clearly discourages rural telcos (or any entity seeking to be a rural PCS provider) from partitioning from the C block licensee. This disadvantages the C block licensee, who might otherwise benefit from partitioning its rural areas.

The present policy advantages the A and B block licensees, who can command a higher price on rural partitioning deals, knowing that the C block licensee, because of the relatively high amount of government debt, is not a realistic option for the rural telecommunications provider. We urge the Commission to change its position to allow the licensee and any party seeking to partition a geographic area to set the amount of license debt appropriate to the deal through negotiation. The FCC would be able to review the appropriateness of the negotiated price prior to approving the license transfer.

Rural Americans deserve the same advanced telecommunications offerings which urban residents enjoy. RTFC believes the Commission should review and amend its PCS policies to further the goal of availability of rural PCS.

Respectfully submitted,

RURAL TELEPHONE FINANCE COOPERATIVE

A handwritten signature in dark ink, appearing to read "Henry I. Buchanan, III", is written over a horizontal line.

Henry I. Buchanan, III
Vice President of Industry Affairs

2201 Cooperative Way
Herndon, Virginia 20171
(703) 709-6700

June 23, 1997